



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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CONTROVERSIAL PENSION BENEFIT TERMINATED BY IRS; FEDERAL AGENCY'S ACTION CORROBORATES CITY ATTORNEY'S POSITION

San Diego, CA—The Internal Revenue Service (IRS) today shut down a special retirement benefit given by the San Diego City Employees' Retirement System (SDCERS) to past and current municipal union presidents that were not allowed under the IRS tax code.

Union Presidents impacted by the IRS order include retired former Municipal Employees Association President Judi Italiano and Firefighter Union President Ron Saathoff who will not be entitled to receive City employee retirement benefits based on their union salary and years served as union president.

The IRS is requiring that their retirement benefits be retroactively recalculated, and that any benefits already paid be returned to the pension plan. The change is expected to save taxpayers several hundred thousand dollars each year. The municipal unions affected by the order include the San Diego Municipal Employees Association, the San Diego Police Officer's Association and San Diego City Firefighters Local 145.

"The presidential union benefit was a pay-off to each union president in 2002 to get them to go along with the scheme to increase employee pension benefits in exchange for allowing the City to under-fund the retirement system," said City Attorney Michael Aguirre. "These matters are currently being investigated by the U.S. Attorney's Office and the County District Attorney."

Aguirre raised the same issues in a lawsuit challenging the illegal benefits and has repeatedly urged SDCERS and the City Council to end the practice. On May 19, 2006, when Italiano sought the presidential benefit from SDCERS, Aguirre appeared before the Retirement Board to oppose its granting.

In today's action the IRS cited 14 "failures" of the San Diego City Employees' Retirement System (SDCERS) that were in violation of IRS regulations, including the payment of retiree benefits that exceeded IRS limits. By correcting the 14 violations the pension plan will maintain its qualified tax status.

"Today's development underscores the rationale for reinstating the City Attorney's Office as the chief legal counsel to the San Diego City Employees' Retirement System as required by our City Charter," said City Attorney Aguirre.

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The City Charter also requires that all legal documents, including today's IRS order, be reviewed for legal content by the City Attorney's Office and approved by the City Council. Aguirre has advised Jay Goldstone, Chief Operating Officer, who signed-off on the IRS settlement that he did not have the legal authority to do so.

To view the IRS settlement visit www.sandiegocityattorney.org, click "Significant Reports and Legal Documents."

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